

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Clam Union Township	County Missaukee
Fiscal Year End 03/31/2006	Opinion Date July 27, 2007	Date Audit Report Submitted to State September 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

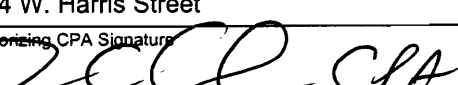
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 		Printed Name Michael D. Cool, C.P.A.	License Number 1101023146

**CLAM UNION TOWNSHIP, MISSAUKEE COUNTY**

**FALMOUTH, MICHIGAN**

**MARCH 31, 2006**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MARCH 31, 2006

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
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July 27, 2007

### **INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Clam Union Township  
Missaukee County  
Falmouth, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clam Union Township, Missaukee County, Falmouth, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clam Union Township, Missaukee County, Falmouth, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clam Union Township, Missaukee County, Falmouth, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Clam Union Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Clam Union Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$460,125. Of this amount, \$99,341 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$230,819.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Clam Union Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$460,125 at March 31, 2006, meaning the Township’s assets were greater than its liabilities by this amount.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Clam Union Township**  
**Net Assets as of March 31, 2006**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 241,553
Non Current Assets	
Capital Assets	568,944
Less: Accumulated Depreciation	<u>(282,532)</u>
Total Non Current Assets	<u>286,412</u>
<b>Total Assets</b>	<b><u><u>\$ 527,965</u></u></b>
<b>Liabilities</b>	
Current Liabilities	\$ 30,876
Non-Current Liabilities	<u>36,964</u>
<b>Total Liabilities</b>	<u>67,840</u>
<b>Net Assets</b>	
Invested in Capital Assets Net of Related Debt	229,306
Restricted for Specific Purposes	131,478
Unrestricted	<u>99,341</u>
<b>Total Net Assets</b>	<u>460,125</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 527,965</u></u></b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township has \$99,341 in unrestricted Net Assets. These assets represent resources that are available for appropriation.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.



CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Clam Union Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2006**

	<b><u>Governmental Activities</u></b>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 21,111
Operating Grants and Contributions	10,354
Capital Grants and Contributions	5,000
<b>General Revenues</b>	
Property Taxes and Assessments	105,149
State Revenues	61,508
Unrestricted Investment Earnings	1,810
Other	<u>1,239</u>
<b>Total Revenues</b>	<u>206,171</u>
<b><u>Expenses</u></b>	
Legislative	33,558
General Government, Administrative	66,968
Public Safety	56,526
Public Works	7,488
Recreational and Cultural	11,784
Other Functions	<u>15,823</u>
<b>Total Expenses</b>	<u>192,147</u>
Change in Net Assets	14,024
NET ASSETS - Beginning of Year	<u>446,101</u>
NET ASSETS - End of Year	<u><u>\$ 460,125</u></u>

**Governmental Activities**

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$14,024 in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Clam Union Township comes from property taxes. The Township levied 1.4907 mills for operating purposes, 0.9938 mills for road maintenance, 0.9323 mills for fire protection, and 0.2689 mills for the library.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general government expenses that total 34.9% of total expenses. The Township spent \$66,968 in fiscal year 2006 on General Administrative expenses. Public safety represented the next largest expense at \$56,526, or 29.4% of total expenses.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Clam Union Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Clam Union Township's governmental funds reported combined ending fund balances of \$230,819. Approximately 43%, or \$99,341 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

**General Fund** – The General Fund increased its fund balance by \$13,184 which brings the fund balance to \$108,643. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance were \$99,341 and \$108,643 respectively. All of the General Fund's functions, except for the Legislative and Other Functions, ended the year with expenditures below budgeted amounts. The Legislative expenditures and Other Functions differential was funded by available fund balance. Taxes amounted to \$49,297. State grant revenues were collected in the amount of \$70,856.

**Road Fund** – The Road Fund increased its fund balance by \$17,801 which brings the fund balance to \$87,954. This balance is reserved and must be used for road improvements. Property taxes collected amounted to \$25,289.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$286,412 net of accumulated depreciation.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Clam Union Township**  
**Capital Assets as of March 31, 2006**

	<b>Governmental Activities</b>
Land and Land Improvements	\$ 69,727
Buildings and Building Improvements	216,538
Machinery and Equipment	282,679
	<hr/> 568,944
Less Accumulated Depreciation	<hr/> 282,532
	<hr/>
<b>Net Capital Assets</b>	<b><u><u>\$ 286,412</u></u></b>

The Township completed the boiler construction project at the community building, and added a voting machine to capital assets during the year.

**Long-Term Debt.** At the end of the current fiscal year, the Township had total installment debt outstanding of \$57,106 for the purchase of a fire truck. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Clam Union Township at P.O. Box 28, Falmouth, Michigan 49632.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 106,188
Taxes Receivable	5,928
Due from External Parties (Fiduciary Fund)	98,809
Due from Other Governments	<u>30,628</u>
Total Current Assets	<u>241,553</u>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	69,727
Buildings and Building Improvements	216,538
Machinery and Equipment	<u>282,679</u>
	568,944
Less Accumulated Depreciation	<u>282,532</u>
Net Capital Assets	<u>286,412</u>
 TOTAL ASSETS	 <u>527,965</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	10,114
Payroll Taxes and Withholdings	620
Current Portion of Non-Current Liabilities	<u>20,142</u>
Total Current Liabilities	30,876
 <u>NON-CURRENT LIABILITIES</u>	
Note Payable (Net of Current Portion)	<u>36,964</u>
 TOTAL LIABILITIES	 <u>67,840</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	229,306
Restricted for Specific Purposes	131,478
Unrestricted	<u>99,341</u>
 TOTAL NET ASSETS	 <u>\$ 460,125</u>

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
					TOTALS
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 33,558	\$ 0	\$ 0	\$ 0	\$ (33,558)
General Government, Administrative	66,968	5,103	2,774	5,000	(54,091)
Public Safety	56,526	16,008	0	0	(40,518)
Public Works	7,488	0	4,348	0	(3,140)
Recreation and Cultural	11,784	0	3,232	0	(8,552)
Other Functions	15,823	0	0	0	(15,823)
Total Governmental Activities	<u>\$ 192,147</u>	<u>\$ 21,111</u>	<u>\$ 10,354</u>	<u>\$ 5,000</u>	<u>(155,682)</u>
<u>GENERAL REVENUES</u>					
Property Tax					105,149
State Shared Revenue					61,508
Unrestricted Investment Earnings					1,810
Other					1,239
Total General Revenues					<u>169,706</u>
Change in Net Assets					14,024
<u>NET ASSETS</u> - Beginning of Year					<u>446,101</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 460,125</u>

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY

FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2006

	GENERAL FUND	ROAD FUND	FIRE FUND	LIBRARY FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 51,237	\$ 62,665	\$ (6,623)	\$ (1,091)	\$ 106,188
Due From Other Governments	14,620	0	16,008	0	30,628
Due From Other Funds	46,250	23,798	22,325	6,436	98,809
Taxes Receivable	2,635	1,491	1,399	403	5,928
Total Assets	<u>\$ 114,742</u>	<u>\$ 87,954</u>	<u>\$ 33,109</u>	<u>\$ 5,748</u>	<u>\$ 241,553</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 5,479	\$ 0	\$ 2,235	\$ 2,400	\$ 10,114
Payroll Taxes and Withholdings	620	0	0	0	620
Total Liabilities	<u>6,099</u>	<u>0</u>	<u>2,235</u>	<u>2,400</u>	<u>10,734</u>
 <u>FUND BALANCE</u>					
Reserved for:					
Telecommunications Right-of-Way	9,302	0	0	0	9,302
Road Improvements	0	87,954	0	0	87,954
Fire Protection	0	0	30,874	0	30,874
Library	0	0	0	3,348	3,348
Unreserved, Undesignated Reported in:					
General Fund	99,341	0	0	0	99,341
Total Fund Balance	<u>108,643</u>	<u>87,954</u>	<u>30,874</u>	<u>3,348</u>	<u>230,819</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 114,742</u>	<u>\$ 87,954</u>	<u>\$ 33,109</u>	<u>\$ 5,748</u>	<u>\$ 241,553</u>

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$	230,819
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land and Land Improvements	69,727	
Buildings and Building Improvements	216,538	
Machinery and Equipment	282,679	
Accumulated Depreciation	<u>(282,532)</u>	286,412

Long term liabilities are not due and payable in the current period and  
are not reported in the funds

Note Payable		<u>(57,106)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>460,125</u></u>
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The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY

FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	ROAD FUND	FIRE FUND	LIBRARY FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 49,297	\$ 25,289	\$ 23,724	\$ 6,839	\$ 105,149
State Grants	70,856	0	0	3,232	74,088
Contributions From Local Units	0	0	16,008	0	16,008
Charges for Services	2,783	0	0	0	2,783
Interest and Rents	4,073	0	0	57	4,130
Other Revenue	4,013	0	0	0	4,013
Total Revenues	131,022	25,289	39,732	10,128	206,171
<u>EXPENDITURES</u>					
Legislative	33,558	0	0	0	33,558
General Government	67,914	0	0	0	67,914
Public Safety	0	0	43,985	0	43,985
Public Works	0	7,488	0	0	7,488
Recreation and Cultural	543	0	0	11,241	11,784
Other Functions	15,823	0	0	0	15,823
Total Expenditures	117,838	7,488	43,985	11,241	180,552
Net Change in Fund Balance	13,184	17,801	(4,253)	(1,113)	25,619
<u>FUND BALANCE</u> - Beginning of Year	95,459	70,153	35,127	4,461	205,200
<u>FUND BALANCE</u> - End of Year	\$ 108,643	\$ 87,954	\$ 30,874	\$ 3,348	\$ 230,819

The accompanying notes are an integral part of the financial statements.



CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 25,619
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	9,260
Depreciation Expense	(40,327)
Repayments of principal on long-term debt is an expenditure in the governmental fund, but not in the statement of activities (where it is a reduction of liabilities).	<u>19,472</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 14,024</u></u>

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 98,830
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	98,809
Due to Other Organizations and Individuals	<hr/>
	21
<u>TOTAL LIABILITIES</u>	<hr/>
	\$ 98,830
	<hr/>

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Clam Union Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Clam Union Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Library Fund* accounts for revenue sources that are legally restricted to expenditures for the Library.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

Additionally Clam Union Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

## **D. Assets, Liabilities and Equity**

### ***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township authorized the Township Treasurer to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) In repurchase agreements consisting of instruments listed in subdivision (a).

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
  - (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.
- (j) In the investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (II) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

## ***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Clam Union Township totaled \$25,482,964, on which ad valorem taxes levied consisted of 1.4907 mills for Clam Union Township operating purposes, 0.9938 mills for road maintenance, 0.9323 mills for fire protection, and 0.2689 mills for the library. The levies raised \$37,936 for operating purposes, \$25,289 for road maintenance, \$23,724 for fire protection, and \$6,839 for the library.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building and land improvements	20
Public domain infrastructure	20
Vehicles	5
Equipment	5-10

Clam Union Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 31, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund			
Township Board	\$ 20,510	\$	33,558
Elections	2,600		5,000
Employee Benefits	10,400		10,885
Special Revenue Funds			
Library Fund			
Library	9,850		11,241

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are on deposit with Citizens Bank and Fifth Third Bank.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, none of the government's bank balance of \$108,531 was exposed to custodial credit risk because it was insured.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	General	Road	Fire	Library	Total
Receivables					
Taxes	\$ 2,635	\$ 1,491	\$ 1,399	\$ 403	\$ 5,928
Due from Other Governments	14,620	0	16,008	0	30,628
Total	<u>\$ 17,255</u>	<u>\$ 1,491</u>	<u>\$ 17,407</u>	<u>\$ 403</u>	<u>\$ 36,556</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Capital Assets**

Primary Government

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 16,500	\$ 0	\$ 0	\$ 16,500
Construction in Progress	105,000	0	105,000	0
Total capital assets, not being depreciated	121,500	0	105,000	16,500
Capital assets, being depreciated				
Buildings and Building Improvements	107,278	109,260	0	216,538
Land Improvements	53,227	0	0	53,227
Machinery and Equipment	277,679	5,000	0	282,679
Total capital assets, being depreciated	438,184	114,260	0	552,444
Less accumulated depreciation for:				
Buildings and Building Improvements	56,518	7,086	0	63,604
Land Improvements	12,588	1,659	0	14,247
Machinery Equipment	173,099	31,582	0	204,681
Total accumulated depreciation	242,205	40,327	0	282,532
Total capital assets, being depreciated, net	195,979	73,933	0	269,912
Governmental activities capital assets, net	\$ 212,479	\$ 73,933	\$ 0	\$ 286,412

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 8,314
Public Safety	32,013
Total Depreciation Expense	<u>40,327</u>

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 46,250	\$ 0
Special Revenue Funds		
Road Fund	23,798	0
Fire Fund	22,325	0
Library Fund	6,436	0
Fiduciary Funds		
Current Tax Collection Fund	0	98,809
	<u>\$ 98,809</u>	<u>\$ 98,809</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

No interfund transfers occurred during the fiscal year ended March 31, 2006.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**E. Long-Term Debt**

The following is a summary of the long-term transactions of the Township for the year ended March 31, 2006.

	<u>INSTALLMENT NOTE</u>
Long-Term Debt Payable	
At April 1, 2005	\$ 76,578
New Debt Incurred	0
Payments on Debt	<u>(19,472)</u>
LONG-TERM DEBT PAYABLE AT JUNE 30, 2007	<u>\$ 57,106</u>
Amount due within one year	<u><u>\$ 20,142</u></u>

<u>YEAR ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2007	\$ 20,142	\$ 1,687	\$ 21,829
2008	\$ 20,836	993	21,829
2009	\$ 16,128	275	16,403
	<u>\$ 57,106</u>	<u>\$ 2,955</u>	<u>\$ 60,061</u>

Installment Notes:

\$100,000 2003 Fire Truck note due in quartely installments of \$5,457  
through December 15, 2008; interest at 3.39%

\$ 57,106

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**F. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE

Reserved

General Fund

Telecommunications Right-of-Way	\$ 9,302
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Special Revenue Funds

Road Fund

Road Improvements	87,954
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Fire Fund

Fire Protection	30,874
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Library Fund

Library	<u>3,348</u>
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TOTAL FUND BLANCE RESERVES	<u><u>\$ 131,478</u></u>
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CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Retirement Plan**

The Township has a defined contribution pension plan with John Hancock which covers all elected officials, Deputy Clerk, Deputy Treasurer, and Deputy Supervisor. An employee's normal retirement date is age 65 or the 10<sup>th</sup> anniversary of the first day of the plan year in which participation in the plan is commenced.

Township contributions to the plan for 2005-2006 amounted to \$5,029 including administration fees of \$713. Total covered payroll amounted to \$28,771 and total wages including non-covered payroll was \$58,821.

**C. Property Tax Administration Fee**

The Township passed a resolution on August 9, 1983, to charge 1% administration fee on all ad valorem taxes levied. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

**D. Land Lease**

Operating Lease – The Township land on which the Internet tower resides is leased at \$2,100 per year on a year-to-year basis.

**E. Related Party Transaction**

The Township contracted Ebels Heating Supply to install a new boiler system in the Community Center at a cost of \$109,260. Ebels Heating Supply is owned and operated by the Township Clerk.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	<u>GENERAL FUND</u>			<u>ROAD FUND</u>			<u>FIRE FUND</u>			<u>LIBRARY FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>												
Taxes	\$ 38,500	\$ 38,500	\$ 49,297	\$ 21,500	\$ 21,500	\$ 25,289	\$ 1,790	\$ 1,790	\$ 23,724	\$ 5,900	\$ 5,900	\$ 6,839
State Grants	59,500	59,500	70,856	0	0	0	0	0	0	4,000	4,000	3,232
Contributions From Local Units	0	0	0	0	0	0	13,800	13,800	16,008	0	0	0
Charges for Services	500	500	2,783	0	0	0	1,200	1,200	0	0	0	0
Interest and Rents	950	950	4,073	0	0	0	0	0	0	50	50	57
Other Revenues	3,700	3,700	4,013	0	0	0	0	0	0	0	0	0
Total Revenues	103,150	103,150	131,022	21,500	21,500	25,289	16,790	16,790	39,732	9,950	9,950	10,128
<u>EXPENDITURES</u>												
Legislative												
Township Board	19,510	20,510	33,558	0	0	0	0	0	0	0	0	0
General Government												
Supervisor	10,155	10,155	8,615	0	0	0	0	0	0	0	0	0
Clerk	12,040	12,040	8,634	0	0	0	0	0	0	0	0	0
Board of Review	1,110	1,110	540	0	0	0	0	0	0	0	0	0
Treasurer	15,260	15,260	11,373	0	0	0	0	0	0	0	0	0
Assessor	14,050	14,550	12,600	0	0	0	0	0	0	0	0	0
Elections	2,600	2,600	5,000	0	0	0	0	0	0	0	0	0
Building and Grounds	33,600	33,600	16,127	0	0	0	0	0	0	0	0	0
Cemetery	9,000	9,000	5,025	0	0	0	0	0	0	0	0	0
Public Safety												
Fire	0	0	0	0	0	0	45,950	45,950	43,985	0	0	0
Public Works												
Highways, Streets, Bridges	0	0	0	35,000	35,000	7,488	0	0	0	0	0	0
Recreation and Cultural												
Parks and Recreation	3,700	8,700	543	0	0	0	0	0	0	0	0	0
Library	0	0	0	0	0	0	0	0	0	9,850	9,850	11,241
Other Functions												
Insurance and Bonds	5,000	5,000	4,938	0	0	0	0	0	0	0	0	0
Employee Benefits	10,400	10,400	10,885	0	0	0	0	0	0	0	0	0
Total Expenditures	136,425	142,925	117,838	35,000	35,000	7,488	45,950	45,950	43,985	9,850	9,850	11,241
Excess (Deficiency) of Revenues Over Expenditures	(33,275)	(39,775)	13,184	(13,500)	(13,500)	17,801	(29,160)	(29,160)	(4,253)	100	100	(1,113)
<u>OTHER FINANCING SOURCES (USES)</u>												
Transfers In (Out)	0	(5,000)	0	0	0	0	0	0	0	0	0	0
Net Change in Fund Balance	(33,275)	(44,775)	13,184	(13,500)	(13,500)	17,801	(29,160)	(29,160)	(4,253)	100	100	(1,113)
<u>FUND BALANCE</u> - Beginning of Year	322,349	322,349	95,459	34,245	34,245	70,153	(22,510)	(22,510)	35,127	705	705	4,461
<u>FUND BALANCE</u> - End of Year	\$ 289,074	\$ 277,574	\$ 108,643	\$ 20,745	\$ 20,745	\$ 87,954	\$ (51,670)	\$ (51,670)	\$ 30,874	\$ 805	\$ 805	\$ 3,348



CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2006

	BALANCE				BALANCE
	4/1/2005	ADDITIONS	DEDUCTIONS		3/31/2006
<u>ASSETS</u>					
Cash					
Money Market Account	\$ 236,785	\$ 836,194	\$ 974,149	\$	98,830
<u>LIABILITIES</u>					
Due to Other Funds	\$ 94,363	\$ 98,809	\$ 94,363	\$	98,809
Due to Other Governmental Units	142,422	734,736	877,158		0
Due to Other Organizations and Individuals	0	2,649	2,628		21
TOTAL LIABILITIES	\$ 236,785	\$ 836,194	\$ 974,149	\$	98,830

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

STATEMENT OF 2005 TAX ROLL  
MARCH 31, 2006

TAXES ASSESSED

County	\$	182,771	
County - State Education Tax		152,153	
Township			
Operating		37,936	
Roads		25,289	
Fire		23,724	
Library		6,839	
Schools			
McBain Rural Agricultural School		286,703	
Intermediate Schools			
Wexford-Missaukee		<u>151,720</u>	\$ 867,135

TAXES COLLECTED

County	173,179	
County - State Education Tax	147,994	
Township		
Operating	35,699	
Roads	23,798	
Fire	22,325	
Library	6,436	
Schools		
McBain Rural Agricultural School	273,065	
Intermediate Schools		
Wexford-Missaukee	<u>142,775</u>	<u>825,271</u>

TAXES RETURNED DELINQUENT

County	9,592	
County - State Education Tax	4,159	
Township		
Operating	2,237	
Roads	1,491	
Fire	1,399	
Library	403	
Schools		
McBain Rural Agricultural School	13,638	
Intermediate Schools		
Wexford-Missaukee	<u>8,945</u>	<u>\$ 41,864</u>

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

July 27, 2007

### LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Clam Union Township  
Missaukee County  
Falmouth, Michigan

Having completed our audit of the basic financial statements of Clam Union Township for the year ended March 31, 2006, we would like to note the following:

#### GASB 34

The financial statements this year are new and being shown for the first time. The requirement to adopt GASB 34 has added a complete new section to the front of the audit. The new accounting standard requires the Township to present its financial statements on both the modified accrual basis of accounting, and the full accrual basis of accounting. The Township continues to use the cash basis of accounting internally, and the auditors assisted in converting the records to the new basis of accounting for the audit requirement.

#### Capitalization Policy

The Township should officially adopt and record in the minutes its' Capitalization Policy of \$5,000. We have provided an appropriate sample policy for the board to consider for adoption.

#### Budgeting

Three General Fund categories exceeded the budgeted amount. Also, total expenditures in the Library Fund exceeded the total budgeted expenditures. The budget should always be amended prior to incurring expenditures in excess of budgeted amounts. All amendments should be approved by the Township Board and be recorded in the minutes.

#### Property Tax Administration Fee

The Township has determined that authorized costs of collecting taxes will be repeatedly in excess of revenue generated by the administration fee, but has not formally taken action to write off this loss. We recommend that the Township maintain subsidiary records which reflect property tax administration fee collections and costs, and that the board passes a motion each year to write off the loss.

### Balance in the Tax Collection Fund

The Township had a substantial amount of tax collection in the tax collection fund that was not distributed by year end. In the future these disbursements should be done in accordance with Department of Treasury regulations.

### Internal Control

While testing we observed a couple of cancelled checks that did not have two signatures. For strengthening internal control we recommend all checks written have two signatures, except for the Tax Collection Fund.

### Reconciliation of Clerk and Treasurer Records

The Michigan Department of Treasury Uniform Accounting Procedures Manual requires the Clerk to reconcile the Clerk's records to the Treasurer's records on a monthly basis. It does not appear that the Township is currently following this procedure. For example, the Clerk's general ledger report shows the General Fund checking account balance for March 31, 2006, at \$40,253.95. The Treasurer's ledger sheet for the same account at the same date shows a balance of \$48,409.64. This is a difference of \$8,155.69. We recommend that the Clerk have us assist with recording adjustments to the computer ledger to bring the ledger in balance with the audit at March 31, 2006. We are also available to identify to the Treasurer what items need to be adjusted on the Treasurer's cash ledger.

We used the Treasurer's set of records for the audit because the bank reconciliation agreed with the Treasurer's general ledger, which leads us to believe all transactions were recorded for the year. The Clerk's set of records appeared to be more accurate related to expenditure classifications, but the bank reconciliation did not agree with the Clerk's general ledger. It should be noted that it is the Clerk's duty to maintain an accurate general ledger with complete posting and classifications and reconciliation with the Treasurer and the bank, and we recommend that this be done in the future.

### Separate Bank Accounts

Currently the Township has one common checking and savings account. Going forward, we recommend that the Township consider opening a separate bank account for the Fire, Roads, and Library Funds. By doing this, the Township would have a separate account to deposit receipts into and transfer funds out of, thereby simplifying the accounting for these separate extra voted funds. This would work much better than the current system of commingling all funds of the Township in one checking and savings account.

### Fire Protection Contracts

During the course of our audit the Clerk was not able to give us copies of the Fire Protection Contracts and related billings the Township charged to surrounding local units of government for providing fire protection. We estimated the amount the Township should have recorded as due from those other governments. In the future we recommend the Township timely bill for services rendered.

### Missing Invoices

During the course of our audit, we found checks written that we could not locate an invoice for. The amounts and type of expenditure seemed reasonable, and the invoices may have been misfiled, but there is no way to know for sure. We recommend the Township do a better job of maintaining custody over source documents and make sure all invoices are present and reviewed before approving

payment. Also, having the annual audit timely would lessen the potential for records coming up missing.

We would like to thank the board for its continued confidence in our firm and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

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PHONE: 231-775-9789 FAX: 231-775-9749  
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July 27, 2007

### LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Clam Union Township  
Missaukee County  
Falmouth, Michigan

In planning and performing our audit of the basic financial statements of Clam Union Township, Missaukee County, Falmouth, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. Also, the Clerk and Treasurer do not reconcile their ledgers to each other as required by the Michigan Department of Treasury.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*